

Interim Results

The Board of Directors of TCL Communication Technology Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 June 2005 with comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June 2005 (unaudited) HK\$'000	Six months ended 30 June 2004 (audited) HK\$'000	Three months ended 30 June 2005 (unaudited) HK\$'000	Three months ended 30 June 2004 (unaudited) HK\$'000
	Notes				
TURNOVER	(3)	2,971,098	3,488,020	1,272,739	1,531,639
Cost of sales		(2,908,198)	(2,702,952)	(1,292,132)	(1,235,914)
Gross profit/(loss)		62,900	785,068	(19,393)	295,725
Interest income		12,633	2,593	956	465
Other revenue and gains, net	(4)	34,653	30,192	13,220	21,922
Research and development costs		(209,556)	(76,320)	(91,656)	(46,099)
Selling and distribution costs		(524,504)	(329,402)	(253,785)	(127,935)
Administrative expenses		(484,664)	(78,713)	(215,400)	(42,121)
Other operating expenses		(421)	(1,254)	(361)	1,467
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	(5)	(1,108,959)	332,164	(566,419)	103,424
Finance costs		(9,810)	(2,877)	(4,947)	(1,766)
PROFIT/(LOSS) BEFORE TAX		(1,118,769)	329,287	(571,366)	101,658
Tax	(6)	(4,000)	(26,961)	(5,131)	(5,465)
PROFIT/(LOSS) FOR THE PERIOD		(1,122,769)	302,326	(576,497)	96,193
ATTRIBUTABLE TO:					
Equity holders of the parent		(853,365)	302,326	(467,651)	96,193
Minority interest		(269,404)	—	(108,846)	—
		(1,122,769)	302,326	(576,497)	96,193
DIVIDENDS	(7)				
Interim		—	1,376,132	—	—
EARNINGS/(LOSS) PER SHARE (HK Cents)	(8)				
Basic		(30.2)	10.7	(16.5)	3.4
Diluted		(33.4)	N.A.	(18.3)	N.A.

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CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2005 (unaudited) HK\$'000	31 December 2004 (restated) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		412,300	439,676
Intangible assets		33,732	33,867
Deferred tax assets		14,502	14,630
Other non-current assets		3,565	3,711
		464,099	491,884
CURRENT ASSETS			
Inventories		885,653	1,031,817
Trade receivables	(9)	799,371	1,210,520
Notes receivable		316,649	174,363
Prepayments, deposits and other receivables		377,917	544,578
Due from related companies	(15b)	4,544	50,830
Tax receivable		528	—
Pledged bank deposits		1,124	11,373
Cash and bank balances		918,184	2,005,683
		3,303,970	5,029,164
CURRENT LIABILITIES			
Trust receipt loans		—	175,300
Trade and notes payables	(10)	1,506,101	1,877,713
Tax payable		—	11,925
Other payables and accruals		1,235,789	1,361,442
Due to related companies	(15b)	193,104	114,209
Due to minority shareholders		—	24,258
		2,934,994	3,564,847

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		30 June 2005 (unaudited) HK\$'000	31 December 2004 (restated) HK\$'000
	Notes		
NET CURRENT ASSETS		368,976	1,464,317
TOTAL ASSETS LESS CURRENT LIABILITIES		833,075	1,956,201
NON-CURRENT LIABILITIES			
Retirement indemnities		42,423	45,030
Long service medals		7,065	7,609
		49,488	52,639
TOTAL ASSETS LESS TOTAL LIABILITIES		783,587	1,903,562
CAPITAL AND RESERVES			
Equity attributable to equity of holders of the parent:			
Issued capital	(11)	282,750	282,750
Reserves		427,437	1,278,856
		710,187	1,561,606
Minority interests		73,400	341,956
		783,587	1,903,562

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

	Note	Issued Share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Minority interest HK\$'000
At 1 January 2004	(i)	232,215	—	340	—	119,951	(242)	1,391,447	271,098	2,014,809	—
Net profit		—	—	—	—	—	—	302,326	—	302,326	—
Dividend declared		—	—	—	—	—	—	(1,376,132)	—	(1,376,132)	—
Dividend paid		—	—	—	—	—	—	—	(271,098)	(271,098)	—
Arising from the issue of shares by the intermediate holding companies for the acquisition of subsidiaries		(148,616)	—	(218)	148,834	—	—	—	—	—	—
Arising from the cash consideration paid by an intermediate holding company for the acquisition of subsidiaries		(83,597)	133,771	(122)	83,719	—	—	—	—	133,771	—
Arising from the issue of shares by the Company for the acquisition of the intermediate holding companies		—	(133,771)	—	—	—	—	—	—	(133,771)	—
At 30 June 2004		2	—	—	232,553	119,951	(242)	317,641	—	669,905	—
Arising from the issue of shares by the Company for the acquisition of the intermediate holding companies		(2)	—	—	2	—	—	—	—	—	—
Minority interest of the joint venture established pursuant to the subscription agreement entered into between the Company and Alcatel on 18 June 2004		—	—	—	—	—	—	—	—	—	456,057
Issue of new shares		282,750	1,093,475	—	—	—	—	—	—	1,376,225	—
Exchange realignment		—	—	—	—	—	2,699	—	—	2,699	2,209
Net loss		—	—	—	—	—	—	(525,861)	—	(525,861)	(116,310)
At 31 December 2004 and 1 January 2005		282,750	1,093,475	—	232,555	119,951	2,457	(208,220)	—	1,522,968	341,956
Derecognition of negative goodwill in accordance with the provisions of HKFRS3		—	—	—	—	—	—	38,638	—	38,638	—
Adjusted balance at 1 January 2005		282,750	1,093,475	—	232,555	119,951	2,457	(169,582)	—	1,561,606	341,956
Employee share option scheme		—	—	909	—	—	—	—	—	909	—
Exchange realignment		—	—	—	—	—	1,037	—	—	1,037	848
Net loss		—	—	—	—	—	—	(853,365)	—	(853,365)	(269,404)
At 30 June 2005		282,750	1,093,475	909	232,555	119,951	3,494	(1,022,947)	—	710,187	73,400

Note:

- (i) The share capital of the Group as at 1 January 2004 represented the share capital of Huizhou TCL Mobile Communication Co., Ltd (“TCL Mobile”).

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

	Six months ended 30 June	
	2005	2004
	(unaudited) HK\$'000	(audited) HK\$'000
Net cash inflow (outflow) from operating activities	(875,773)	64,696
Net cash inflow (outflow) from investing activities	(7,444)	19,743
Net cash outflow from financing activities	(175,300)	(152,973)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,058,517)	(68,534)
Cash and cash equivalents at beginning of period	2,005,683	697,100
Effect of foreign exchange rate changes, net	(28,982)	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	918,184	628,566
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	918,184	628,566

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Principal Accounting Policies

The interim financial report is unaudited, but has been reviewed by the Audit Committee.

The condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include the Statement of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention. The accounting policies and method of computation used in the preparation of these financial statements are consistent with those used in annual financial statements for the year ended 31 December 2004 except those mentioned in the first quarter result announcement and below.

2. Changes in Accounting Policy

The Group has adopted HKFRS 2 for the first time in the current period. The adoption of such HKFRS 2 has resulted in the recognition of equity-settled based payments at fair value at the date of grant. The Company applies this Standard to share options granted on 31 May 2005.

These unaudited condensed consolidated interim financial statements are prepared in accordance with the Hong Kong Accounting Standard 34 "Interim financial reporting" and Appendix 16 of the Rules Governing the Listing of Security's on the Stock Exchange of Hong Kong Limited.

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005.

The HKFRSs which are relevant to these financial statements are set out below and the consolidated income statement, cash flow statement and statement of changes in equity for the six months ended 30 June 2004 and the consolidated balance sheet as at 31 December 2004 have been restated in accordance with the relevant requirements.

- HKAS 1 "Presentation of Financial Statements"
- HKAS 2 "Inventories"
- HKAS 7 "Cash Flow Statements"
- HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- HKAS 10 "Events after the Balance Sheet Date"
- HKAS 11 "Construction Contracts"
- HKAS 12 "Income Taxes"
- HKAS 14 "Segment Reporting"
- HKAS 16 "Property, Plant and Equipment"
- HKAS 17 "Leases"
- HKAS 18 "Revenue"
- HKAS 19 "Employee Benefits"
- HKAS 20 "Accounting for Government Grants and Disclosure of Government Assistance"

2. Changes in Accounting Policy (continued)

- HKAS 21 "The Effects of Changes in Foreign Exchange Rates"
- HKAS 23 "Borrowing Costs"
- HKAS 24 "Related Party Disclosures"
- HKAS 27 "Consolidated and Separate Financial Statements"
- HKAS 28 "Investments in Associates"
- HKAS 31 "Interests in Joint Ventures"
- HKAS 32 "Financial Instruments: Disclosure and Presentation"
- HKAS 33 "Earnings per Share"
- HKAS 36 "Impairment of Assets"
- HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
- HKAS 38 "Intangible Assets"
- HKAS 39 "Financial Instruments: Recognition and Measurement"
- HKFRS 3 "Business Combinations"
- HKAS-INT 10 "Government Assistance — No Specific Relation to Operating Activities (HKAS 20)"
- HKAS-INT 13 "Jointly Controlled Entities — Non-Monetary Contributions by Ventures"
- HKAS-INT 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"
- HKAS-INT 29 "Disclosure — Service Concession Arrangements"
- HKFRS-INT 4 "Determining whether an Arrangement contains a Lease"

All relevant changes in the accounting policies have been made in accordance with the provisions of the respective standards.

The major effect of adoption of these HKASs and HKFRSs are summarised as follows:

- (a) The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill and negative goodwill. Prior to this, to the extent that negative goodwill did not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill arising from acquisitions was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets;

In accordance with the provisions of HKFRS 3, any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition over the cost of the business combination is recognised immediately in the consolidated profit and loss account. In addition, following the transitional provisions of HKFRS 3, the carrying amounts of the negative goodwill recognised on the consolidated balance sheet or remained credited to the consolidated capital reserve as at 1 January 2005 were derecognised by way of a corresponding adjustment to the opening retained profits as at 1 January 2005. Accordingly, the Group has eliminated the unrealised negative goodwill of HK\$38,638,000 against the Group's retained earnings as at 1 January 2005.

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2. Changes in Accounting Policy (continued)

- (b) HKAS 24 affects the identification of related parties and the disclosure of related party transactions.
- (c) HKAS 1, 2, 7, 8, 10, 11, 12, 14, 17, 18, 19, 20, 21, 23, 27, 28, 31, 33, 34, 36, 37 & 38, HKAS-INT 10, 13, 15, 21, 27, 29 and HKFRS-INT 4 did not result in substantial changes to the Group's accounting policies. In summary:
- HKAS 1 affects certain presentation in the consolidated balance sheet, consolidated income statement and consolidated statement of changes in equity, including the following:
 - minority interests are now included in equity section of the balance sheet.

Except for the major effect of adoption of certain HKASs and HKFRS as summarised above, the accounting policies and basis of presentation used in the preparation of these condensed consolidated interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2004.

3. Segment Information

The Group is principally engaged in the manufacture and sale of mobile phones and related components. All of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single business segment.

The Group's operations are located in France, the PRC and Mexico. Each of the group's geographical segment represents the location of the business division's production or service facilities which are subject to risks and returns that are different from those of the other geographical segments.

The following tables present revenue for the Group's geographical segments:

	France		The PRC		Mexico		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2005 (unaudited) HK\$'000	2004 (audited) HK\$'000	2005 (unaudited) HK\$'000	2004 (audited) HK\$'000	2005 (unaudited) HK\$'000	2004 (audited) HK\$'000	2005 (unaudited) HK\$'000	2004 (audited) HK\$'000
Segment revenue:								
Sales to external customers	1,211,380	—	1,343,440	3,488,020	416,278	—	2,971,098	3,488,020

4. Other Revenue and Gains

Included in the total is government subsidies of approximately HK\$19,291,000 (2004: HK\$24,342,500) granted for general purposes for encouragement to develop advanced technology.

5. Profit /(Loss) from Operations

	Six months ended 30 June	
	2005 (unaudited) HK\$'000	2004 (audited) HK\$'000
Profit/(loss) from operations has been arrived at after charging		
Depreciation of fixed assets	52,584	25,548
Amortisation	2,017	556
Provision for inventory obsolescence	29,995	11,818

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect there of:

	Six months ended 30 June	
	2005 (unaudited) HK\$'000	2004 (audited) HK\$'000
Group:		
Current year provision		
Hong Kong		
Charge for the year	38	2,587
Overprovision in prior years	—	—
Mainland China	6,145	33,517
Elsewhere	(2,311)	—
Deferred	128	(9,143)
	4,000	26,961

7. Dividend

The directors of the Company do not recommend the payment of dividend for the six months ended 30 June 2005.

In 2004, for the purpose of the Group Reorganization that was effected in preparation for the Introduction, TCL Mobile declared an interim dividend of HK\$1,376,132,000 (RMB1,458,700,000) to its then shareholders.

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8. Earnings/(Loss) Per Share

The calculation of the basic loss per share is based on the net loss attributable to shareholders for the six months ended 30 June 2005 of HK\$853,365,000 (2004: net profit of HK\$302,326,000), and the weighted average of 2,827,500,000 (2004: 2,827,500,000) ordinary shares in issue during the period. The weighted average of 2,827,500,000 ordinary shares for 2004 were deemed to have been in issue.

The calculation of diluted loss per share for the period is based on the loss for the period before minority interest of HK\$1,122,769,000 (2004: net profit of HK\$302,326,000) of which the minority shareholder in respect of the joint venture formed between the Company and Alcatel (the "Joint Venture") will become the shareholder of the Company upon the exercise of the option for converting its interest in the Joint Venture into the shares of the Company.

The weighted average number of ordinary shares used in the calculation is 2,827,500,000 (2004: 2,827,500,000) ordinary shares in issue during the period, as used in the basic loss per share calculation; the weighted average of 528,934,000 ordinary shares assumed to have been issued upon the exercise of the option by the minority shareholder to convert its interest in the Joint Venture, and 1,761,000 ordinary shares assumed to have been issued upon the exercise of the share option granted to employees.

Diluted earnings per share amount has not been disclosed for the six months ended 30 June 2004 as no dilutive potential ordinary shares existed during the period.

9. Trade Receivables

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date is as follows:

	30 June 2005 (unaudited) HK\$'000	31 December 2004 (audited) HK\$'000
Within 3 months	758,871	1,039,339
4 to 6 months	9,847	170,082
7 to 12 months	40,037	7,353
Over 1 year	—	5,194
	808,755	1,221,968
Provision for doubtful debts	(9,384)	(11,448)
	799,371	1,210,520

For the majority of the Group's sales in the PRC, the Group requests their customers to pay in advance through commercial notes guaranteed by bank with credit period ranging from 90 days to 180 days.

For customers to whom the Group has granted credit terms, the credit terms are generally ranging from 31 days to 180 days.

10. Trade and Notes Payables

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on invoice date, is analysed as follows:

	30 June 2005 (unaudited) HK\$'000	31 December 2004 (audited) HK\$'000
Within 3 months	1,323,640	1,756,319
4 to 6 months	140,132	110,097
7 to 12 months	37,470	1,124
More than 1 year	4,859	10,173
	1,506,101	1,877,713

Notes payables of HK\$11,270,000 (2004: HK\$107,568,000), were secured by the pledge of deposits amounted to HK\$1,124,000 (2004: HK\$11,373,000).

11. Share Capital

	30 June 2005 (unaudited) HK\$'000	31 December 2004 (audited) HK\$'000
Authorised:		
5,000,000,000 (2004: 5,000,000,000) ordinary shares of HK\$0.10 each	500,000	500,000
Issued and fully paid or credited as fully paid:		
2,827,500,000 (2004: 2,827,500,000) ordinary shares of HK\$0.10 each	282,750	282,750

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11. Share Capital (continued)

A summary of the transactions with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
Shares allotted and issued nil paid following incorporation	1	—	—	—
Shares issued as consideration for the acquisition of the entire issued share capital of TCL Mobile Communication Holdings Limited	408	—	—	—
Shares issued as consideration for the acquisition of the entire issued share capital of TCL Communication (BVI) Limited	359	—	—	—
Shares issued as consideration for the acquisition of the entire issued share capital of Alpha Alliance Enterprises Limited	232	—	—	—
Shares issued as consideration for the acquisition of the entitlement of dividends declared by TCL Mobile	1,809,599,360	180,960	699,857	880,817
Shares issued as consideration for the cash contribution by T.C.L. Industries Holdings (H.K) Limited	1,017,899,640	101,790	393,618	495,408
At 31 December 2004 and 30 June 2005	2,827,500,000	282,750	1,093,475	1,376,225

12. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include directors, including independent non-executive directors, or employees, contractors, agents, persons or entities that provide advisory, consultancy, professional services for the business of the Group; vendors; suppliers; customers of any member of the Group or any other person whom the directors in their sole discretion considers may contribute or have contributed to the Group. The Scheme became effective on 13 September 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

12. Share Option Scheme (continued)

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of: (i) the average Stock Exchange closing price of the Company's shares for the trading days which have elapsed from the Listing Date; and (ii) the offer price, if the option is granted before five business days have elapsed from (and including) the Listing Date or (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer, if the option is granted after five business days have lapsed from (and including) the Listing Date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The number of options granted during the period by the Company was 130,450,000. Further details of the Scheme are set out in the Directors' Report.

13. Contingent Liabilities

- (i) As at 30 June 2005, contingent liabilities in respect of discounted notes and endorsed notes with recourse not provided for in the financial statements were as follows:

	30 June 2005 (unaudited) HK\$'000	31 December 2004 (audited) HK\$'000
Notes discounted or endorsed with recourse	362,186	48,657

- (ii) One of the Group's subsidiary, Alcatel Suzhu Telecommunication Co., Ltd ("ASTECC") was involved in a patent infringement litigation brought by Hubin, Huxuanhua and Dalian Hanpu Applied Technology Co., Ltd. (the "plaintiff") in March 2001. In May 2002, the PRC trial court rendered civil judgment in favour of ASTECC with no damages or expenses to be borne by ASTECC. In the same month, the plaintiff appealed to the High Court and up to date, the appellate proceeding is still in progress.

According to the legal letter and the opinion from the engaged lawyer, it is very likely for the appellate court to render judgment in favour of ASTECC again. Accordingly, no provision was made for such litigation in the financial statements.

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14. Capital Commitments

The Group had the following capital commitments for the procurement of production facilities at the balance sheet date:

	30 June 2005 (unaudited) HK\$'000	31 December 2004 (audited) HK\$'000
Contracted, but not provided for	14,312	23,845

15. Related Party Transactions

(a) Transactions with related parties

	Six months ended 30 June	
	2005 (unaudited) HK\$'000	2004 (audited) HK\$'000
Transactions with ultimate controlling shareholder		
Brand name management fee/TCL Brand Common Fund	5,476	15,861
Interest expenses	6,630	1,742
Short-term loan obtained	2,109,132	1,082,863
Purchases of raw materials	—	1,741,247
Transactions with subsidiaries of ultimate controlling shareholder		
Purchases of raw materials	657,143	99,430
Fund advanced	—	7,880,342
Interest income	—	871
Master manufacturing services	2,424	—
Rental charges	631	1,433
Sales of finished goods	—	15,705
Transactions with a company in which a director of the Company is a shareholder		
Consultancy fee	450	770
Transactions with subsidiaries of the Group's minority shareholder		
Administrative and management services obtained	159,125	—
Sales support services obtained	37,573	—

15. Related Party Transactions (continued)

(b) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	30 June 2005 (unaudited) HK\$'000	31 December 2004 (audited) HK\$'000	30 June 2005 (unaudited) HK\$'000	31 December 2004 (audited) HK\$'000
Ultimate controlling shareholder	—	46,381	28,979	—
Subsidiaries of ultimate controlling shareholder	4,544	2,378	145,162	68,310
Subsidiaries of the Group's minority shareholder	—	2,071	18,963	45,899
	4,544	50,830	193,104	114,209

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Short term employee benefits	4,629	1,112
Post-employment benefits	1,415	141
Share-based payment	206	—
Total compensation paid to key management personnel	6,250	1,253

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16. Post Balance Sheet Events

On 11 May 2005, the Company entered into the Framework Agreement with Alcatel Participations, of which it required the Company to acquire all Alcatel Participations' shares in TCL & Alcatel Mobile Phones Limited ("T&A HK"), representing 45% of the share capital of T&A HK, by way of Share Swap. The number of Shares to be issued pursuant to the Share Swap was 141,375,000 Shares, representing 5% of the issued share capital of the Company as of this report date. The transaction was completed on 18 July 2005.

On 11 May 2005, the Company entered into the Subscription Agreement with its ultimate controlling shareholder, TCL Corporation, pursuant to which the Company has agreed to issue and TCL Corporation has agreed to subscribe for, subject to the terms and conditions stated therein, an aggregate of €20,000,000 principal amount (in its HK\$ equivalent of about HK\$199,510,000 at the time of entering into the agreement) of 3% Convertible Notes. The transaction was completed on 29 July 2005.

On 21 July 2005, The People's Bank of China announced the revaluation of RMB against USD from RMB8.27 to RMB8.11 for US\$1, an appreciation of about 2.1%. Since the Group has substantial operations in PRC, the appreciation will have certain impact on the Group but has not been reflected in the interim report.

17. Approval of the Interim Financial Report

The condensed consolidated interim financial statements were approved by the board of directors on 30 August 2005.